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FISCAL IMPACT STATEMENT

LS 6680

BILL NUMBER: SB 262

NOTE PREPARED: Dec 30, 2009

BILL AMENDED:

SUBJECT: Tax on Telecasts of Boxing and Other Events.

FIRST AUTHOR: Sen. Kruse

BILL STATUS: As Introduced

FIRST SPONSOR:

FUNDS AFFECTED: **GENERAL**
 X DEDICATED
 FEDERAL

IMPACT: State

Summary of Legislation: *Pay-Per-View Tax*- The bill reduces the tax from 5% to 2.5% of the gross receipts received from providing a public boxing, sparring, or unarmed combat match or exhibition for viewing in Indiana on a closed circuit telecast, pay-per-view telecast, or subscription television.

\$50,000 Tax Limit- The bill limits the tax to \$50,000 for each contract. The bill provides that revenue from the tax must be used by the state to regulate boxing, sparring, unarmed combat, and any other form of mixed martial arts.

Complimentary Admissions- The bill provides that the Athletic Commission may waive the tax on complimentary admissions for actual attendance to a match or exhibition.

Exemption Deletion- The bill deletes the exemption for showings at a private residence.

Effective Date: Upon passage.

Explanation of State Expenditures:

Explanation of State Revenues: *Summary-Pay-Per-View Tax:* This provision will have an indeterminable impact on state revenue collections. Although the tax is being reduced by 2.5%, the amount of event revenue is anticipated to be larger in future years due to the addition of mixed martial arts events. Any additional revenue collected from mixed martial arts telecasts would depend on the number of exhibitions held and the ability of the state to enforce the payment of the tax on out-of-state promoters. The reduction in the pay-per-view tax rate would, however, reduce the amount of revenue from pay-per-view boxing sales.

Background- The Indiana Athletic Commission (IAC) was created and placed under the Indiana Gaming Commission by P.L. 160-2009. To date, no mixed martial arts exhibitions held in or outside of Indiana have been regulated or taxed. The IAC began enforcement on mixed martial arts events beginning December 1, 2009. The first mixed martial arts event in Indiana to be regulated and taxed (HFC2 or Hoosier Fight Club 2) will be held on January 2, 2010, at the Horseshoe Casino in Hammond, Indiana. The first actual event, HFC1, was held in Indiana on November 20, 2009, in Valparaiso, Indiana.

Prior to the passage of P.L. 160-2009, the tax was 5% on the viewing of any boxing or sparring match shown on closed circuit television, pay-per-view telecast, or subscription television. The tax was charged to any person, club, corporation, firm, or association holding or showing the boxing or sparring match. The bill changes the taxpayer to the promoter of the event.

P.L. 160-2009 added unarmed combat matches such as wrestling to the tax base. This bill adds the mixed martial arts events to the tax base.

Recent Revenue History- Prior to P.L. 160-2009, the now defunct Boxing Commission placed all revenue from both the admission taxes (currently 5% and unchanged by this proposal) and the pay-per-view tax into one account without distinguishing the source of the revenue. Revenue from these taxes was deposited into the state General Fund. Under P.L. 160-2009, the revenue is now placed into the Athletic Commission Fund. The following table shows a recent history of tax collections.

Tax Revenue History	
Fiscal Year	Revenue Collected*
2006	\$15,074
2007	\$9,285
2008	\$5,581
2009	\$5,198
2010	\$329**
*Rounded up to the nearest dollar. **Revenue received July 2009 from the final boxing event regulated by the Boxing Commission, prior to its expiration.	

UFC Pay-Per-View Revenue Estimate- On average there have been 11-12 Ultimate Fight Championship (UFC) pay-per-view events per year since CY 2006. Based on the number of pay-per-view purchases from mmmapayout.com estimated to have occurred over those years, Indiana may have had an average of 122,300 pay-per-view purchases. Recently, the average fee for pay-per-view purchases is about \$44.98. If the fee were applied to average purchases and then multiplied by the proposed tax rate, the tax could generate \$138,000 per year on UFC pay-per-view events alone. Note that revenue projections are subject to the ability to enforce the tax on out-of-state promoters and the number of UFC events scheduled in the future.

Other Events- The mixed martial arts event, HFC2, scheduled for January 2, 2010, has ticket prices ranging from \$35 to \$200.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Indiana Athletic Commission.

Local Agencies Affected:

Information Sources: Indiana Athletic Commission; Professional Licensing Agency; State Budget Agency; Auditor's Revenue Database; www.mmapayout.com; www.hoosierfightclub.com.

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